

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 L-03 NSC-05

SS-15 STR-04 CEA-01 /094 W

-----121425Z 041173 /50

R 102222Z MAY 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4742

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

UNCLAS LIMA 3813

EO 11652: N/A

TAGS: ECIN, CO, BO, VE, PE, EC

SUBJ: ANDEAN PACT COMMISSION APPROVES SPECIAL

PROGRAM FOR BOLIVIA

REF: LIMA 2383

SUMMARY: IN A ONE-DAY MEETING HELD ON APRIL 29, THE ANDEAN PACT COMMISSION WOUND UP THE TWENTY SECOND ORDINARY SESSION WHICH HAD ADJOURNED INCONCLUSIVELY IN MID-MARCH. DURING THE SESSION THE COMMISSION ADOPTED TWO DECISIONS, ONE POSTPONING A DECISION ON TREATMENT OF INVESTMENTS BY MIXED COMPANIES AND THE OTHER ONE A PROGRAM OF SPECIAL ASSISTANCE TO BOLIVIA. WITH BOLIVIAN DEMANDS APPARENTLY SATISFIED THE COMMISSION CAN NOW FOCUS ON THE PENDING PROPOSALS FOR VARIOUS SECTORAL PROGRAM. END SUMMARY.

1. THE ANDEAN PACT HAS RESOLVED THE ISSUE OF SPECIAL AID TO BOLIVIA WHICH HAD UNEXPECTEDLY TIED UP THE COMMISSION IN ITS MARCH MEETING AND CAUSED IT TO ADJOURN WITHOUT ADDRESSING THE OTHER
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SCHEDULED ITEMS, INCLUDING THE CRITICAL DECISION ON THE AUTOMOTIVE SECTORAL PROGRAM. THE COMMISSION HAD PLANNED TO RECONVENE APRIL 11, BUT ON THE EVE OF THE MEETING POSTPONED IT UNTIL APRIL 29. THAT MEETING LASTED ONLY ONE DAY AND CLOSED THE TWENTY SECOND ORDINARY SESSION OF THE COMMISSION. THE MEETING WAS GIVEN VIRTUALLY NO PUBLICITY AND THE BRIEFING SESSION (ATTENDED BY EMBASSY ECON OFF) FOR REPRESENTATIVES OF OBSERVER COUNTRIES WAS

DELAYED UNTIL MAY 6.

2. DURING THE APRIL 29 MEETING THE COMMISSION ADOPTED TWO DECISIONS. THE FIRST (DECISION 118) MODIFIES DECISION 110 TO EXTEND UNTIL THE END OF THE TWENTY-THIRD ORDINARY SESSION THE PERIOD WITHIN WHICH THE JUNTA IS TO SUBMIT TO THE COMMISSION RECOMMENDATIONS ON THE TREATMENT OF INVESTMENTS BY MIXED COMPANIES (THOSE WITH 20 TO 49 PERCENT FOREIGN EQUITY). IT IS NOT ENTIRELY CLEAR WHY TREATMENT OF THIS ITEM HAS BEEN REPEATEDLY POSTPONED. HOWEVER, ONE AREA OF CONTENTION CENTERS AROUND ECUADOR'S POSITION THAT WHEN A MIXED COMPANY INVESTS IN A SECOND COMPANY THAT INVESTMENT SHOULD BE CONSIDERED AS NATIONAL CAPITAL RATHER THAN RETAINING ITS CHARACTER AS MIXED CAPITAL WITH SPECIFIED PERCENTAGES OF DIRECT FOREIGN INVESTMENT. THE LATTER INTERPRETATION IS THE ONE PRESENTLY CONTAINED IN DECISION 24 AND ITS AMENDMENTS. COMMENT: THIS QUESTION OF THE TREATMENT OF MIXED COMPANIES SEEMS TO ACCOUNT FOR THE DELAY IN CODIFYING THE NUMEROUS RECENT CHANGES TO DECISION 24 ON THE TREATMENT OF FOREIGN CAPITAL.

3. THE SECOND DECISION ADOPTED (DECISION 119) CONSTITUTES THE SPECIAL PROGRAM OF SUPPORT FOR BOLIVIA. THE NECESSITY OF SOME MEASURE TO ADDRESS BOLIVIAN DISENCHANTMENT WITH THE ANDEAN PACT HAS LONG BEEN EVIDENT AND HAS GIVEN RISE TO GROWING SPECULATION OVER THE POSSIBILITY OF BOLIVIA FOLLOWING CHILE OUT OF THE PACT. ADOPTION OF THE PROGRAM WAS STYMIED IN MARCH BY ECUADOR'S CONCERN THAT IT NOT BE EXCLUDED FROM ALL CONCESSIONS GRANTED TO BOLIVIA. AS A RESULT ARTICLE 16 OF DECISION 119 SPECIFIES THAT SPECIAL TREATMENT FOR BOLIVIA FORSEEN IN VARIOUS PRECEDING ARTICLES IS TO APPLY EQUALLY TO ECUADOR. COMMENT: THE SUPPORT PROGRAM ITSELF UNCLASSIFIED

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IS REMARKABLY SHORT ON SPECIFICS AND CONSISTS LARGELY OF PLEDGES OF GOOD INTENT TO COMPLY WITH EXISTING POLICIES FAVORING BOLIVIA, AND TO SEEK TO ASSIST BOLIVIA IN TAKING FULLEST ADVANTAGE OF THE ANCOM IN THE FUTURE. WHILE BY ITSELF THE PROGRAM WOULD HARDLY SEEM TO MEET STRONG BOLIVIAN DISSATISFACTION WITH THE ANCOM EXPERIENCE THE DECISION DOES CONTAIN TWO MORE DETAILED COMMITMENTS WHICH APPARENTLY DID SATISFY BOLIVIA. THE JUNTA IS TO DRAFT WITHIN SIX MONTHS A PROGRAM UNDER WHICH THE OTHER COUNTRIES WOULD INCREASE THE IMPORT OF BOLIVIAN ORES. SECOND, AND PERHAPS MOST IMPORTANTLY, UNDER ARTICLE 8 OF DECISION 119 THE OTHER COUNTRIES COMMITTED THEMSELVES TO REACH APPROPRIATE AGREEMENTS WITH BOLIVIA TO RESOLVE THE EXISTING PROBLEMS RELATED TO SECTORAL ASSIGNMENTS. THESE AGREEMENTS HAVE NOT BEEN PUBLICIZED, BUT WE HAVE BEEN ADVISED THAT BOLIVIA HAD ALREADY REACHED BI-LATERAL AGREEMENTS WITH EACH OF THE OTHER COUNTRIES. THERE WAS SOME DELAY ON THE PART OF PERU WHICH PROBABLY ACCOUNTED FOR THE DELAY IN BRIEFING OBSERVER COUNTRIES ON THE MEETING OUTCOME.

4. IN ADDITION TO THE TWO DECISIONS DESCRIBED ABOVE THE COMMIS-

SION TOOK SOME OTHER ACTIONS. THE DEADLINE FOR ACTION ON THE SECTORAL PROGRAM FOR FERTILIZER WAS EXTENDED TO DECEMBER 31, 1977, TO ALLOW FOR COORDINATION WITH SELA FERTILIZER PROGRAMS BEING DEVELOPED. CITING THE URGENCY OF THE PROBLEM THE COMMISSION APPROVED IN PRINCIPLE THE PADT FOODSTUFFS (PROYECTO ANDINO DE DESARROLLO TECNOLOGICO EN EL AREA DE LOS ALIMENTOS) AND URGED THE GOVERNMENTS TO UNDERTAKE THE ELEMENTS OF THE PROJECTS RELATED TO THEIR COUNTRIES EVEN THOUGH DETAILED PLANNING IS NOT COMPLETED. FINALLY THE COMMISSION ACCEPTED THE JUNTA RECOMMENDATION THAT A GROUP OF GOVERNMENTAL EXPERTS BE CONVENED BY LATE JUNE TO STUDY THE PROPOSAL FOR THE CREATION OF AN ANDEAN TRIBUNAL.

5. THE COMMISSION WILL HOLD ITS NEXT SESSION MAY 16 IN LIMA AND IN JUNE WILL MEET IN QUITO IN ANOTHER EXTRAORDINARY SESSION. AT THE LATTER MEETING THE COMMISSION INTENDS TO DISPOSE OF THE CRUCIAL AUTOMOTIVE SECTORAL PROGRAM. BI-LATERAL TALKS ON THIS PROGRAM HAVE BEEN PROGRESSING AND IT NOW APPEARS THAT IN ITS UNCLASSIFIED

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FINAL FORM THE AUTOMOTIVE SECTORAL PROGRAM WILL EMPHASIZE A SERIES OF COMPLEMENTATION AGREEMENTS BETWEEN THE COUNTRIES RATHER THE ORIGINAL CONCEPT WHICH STRESSED ASSIGNMENT OF MODELS TO EACH OF THE COUNTRIES.

6. JUNTA ACCOUNT OF MEETING (ACTA FINAL) FOLLOWS BY AIRGRAM.
DEAN

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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Executive Order: N/A
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